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UNCLAS SECTION 01 OF 02 KATHMANDU 001632

SIPDIS

SENSITIVE

STATE FOR SA/INS, DS/IP/SA  
LONDON FOR POL-GURNEY  
NSC FOR GREEN/DORMANDY

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TAGS: [PTER](#) [PGOV](#) [KTFN](#) [ASEC](#) [NP](#)

SUBJECT: MAOIST BOMBS CLOSE SOALTEE HOTEL, COCA COLA CLOSES

REF: Kathmandu 1553

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BOMBS EXPLODE  
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1. (U) Four bombs exploded in the backyard of Soaltee Hotel, a leading five star hotel in Kathmandu, Monday evening, August 16. Nobody was injured and there was only minor damage, according to published newspaper reports. The explosions preceded by one day the expiration of the demand by the Maoist affiliated All Nepal Trade Union Federation that more than a dozen companies, including Soaltee and Coca Cola, shut down operations for an indefinite period. Soaltee has responded to the explosion by indefinitely shutting down operations.

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PLANTS CLOSE  
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2. (SBU) Similarly, Mr. N.N. Singh, Nepal Managing Director of Coca Cola, informed the Embassy that plants in Kathmandu Valley & the Terai (Bharatpur) would both be closed indefinitely. On the evening of August 16, Maoists called the Terai plant at 5:30 pm and spoke with the security manager, human resource manager and others and threatened not only the employees, but also their families, if anybody came inside the plant. Given the context of the Soaltee bombings, Coca Cola decided to shut the plant indefinitely, or at least until the situation improves. Mr. Singh mentioned in prior conversations with the Embassy that Coca Cola's home office in Atlanta was considering suspending all operations in Nepal. The Coca Cola decision to suspend operations came after Coca Cola, working with the Embassy, was able to get Royal Nepal Army assistance in patrolling both bottling facilities. The Royal Nepal Army agreed to provide physical protection for the bottling plant in the Terai with five to six day patrols and three night patrols. Coca Cola was satisfied with the protection given to its Kathmandu facility, but given the bombs at Soaltee and the fact that it could not protect its employees, it ultimately made a business decision to close its plant. Newspaper reports also suggested that other companies on the original list of threatened companies, including Surya Tobacco, Shanghai Plastic Industry, Elite Oil Store, and Macula Yamahas have also decided to suspend operations indefinitely. The closure in total will affect several thousand Nepali employees and is estimated to cost the government over one hundred thousand USD per day in lost tax revenues.

3. (SBU) According to a Soaltee Hotel group representative, the hotel would remain closed until the threat by the Maoist trade union is withdrawn. She also informed the Embassy that all the guests of the hotel have been shifted to other hotels. Mr. Sanjay Puri, Managing Director of Surya Tobacco, told us that the primary reason to close the factory was that defying the Maoists threatened the lives of the employees. The factory will remain closed until at least the specific threat to the lives of their workers and their property is withdrawn.

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MAOIST DEMANDS  
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4. (SBU) The companies report that the Maoists are following up on an eleven point ultimatum made a couple months ago. In phone calls with various company personnel, it appears these threats boil down to three demands: 1) a minimum wage of 5000 rupees (twice what the unions and government agreed upon recently), which is less than what most of the employees make at the threatened industries; 2) a government announcement of the whereabouts of nine detained Maoists; and 3) a government removal of the terrorist label from the All Nepal Trade Union Federation.

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THE RESPONSE

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15. (SBU) The companies have been working under the leadership of FNCCI to press the government on these issues. Separately, the Industrial Security Group, which includes the U.S., U.K., French, German and Indian Embassies, along with the corresponding Binational Chambers of Commerce, will meet with Prime Minister Deuba on Wednesday morning to discuss security and the Maoists' political demands.

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COMMENT  
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16. (SBU) The bombs detonated at Soaltee, while they did not cause serious damage, demonstrated that the Maoists would enforce their threats against the companies. This action differs from the pattern of the last ten months in which companies were extorted and warned to suspend operations without consistently enforced repercussions. For Coca Cola and Soaltee, the nature of the threat has also fundamentally shifted. While prior threats concentrated on the physical security of the plants, new threats specifically warned that workers and their families would be targets if the bottling plants remained operational. Should Coca Cola decide to permanently close operations in Nepal, the GoN would not only lose one of its largest commercial tax payers, but other multinational firms may well follow suit.

17. (SBU) In the current security environment, it is exceedingly unlikely that Nepal would be able to attract new large-scale foreign direct investment to offset the loss of Coca Cola. The success of the Maoists in shutting down operations at major multinational companies is an ominous sign. In the likely event that success breeds success, the Maoists may continue to terrorize large-scale commercial interests and further slow Nepal's limited economic activity. END COMMENT.

MORIARTY